



General Fund Budget Update

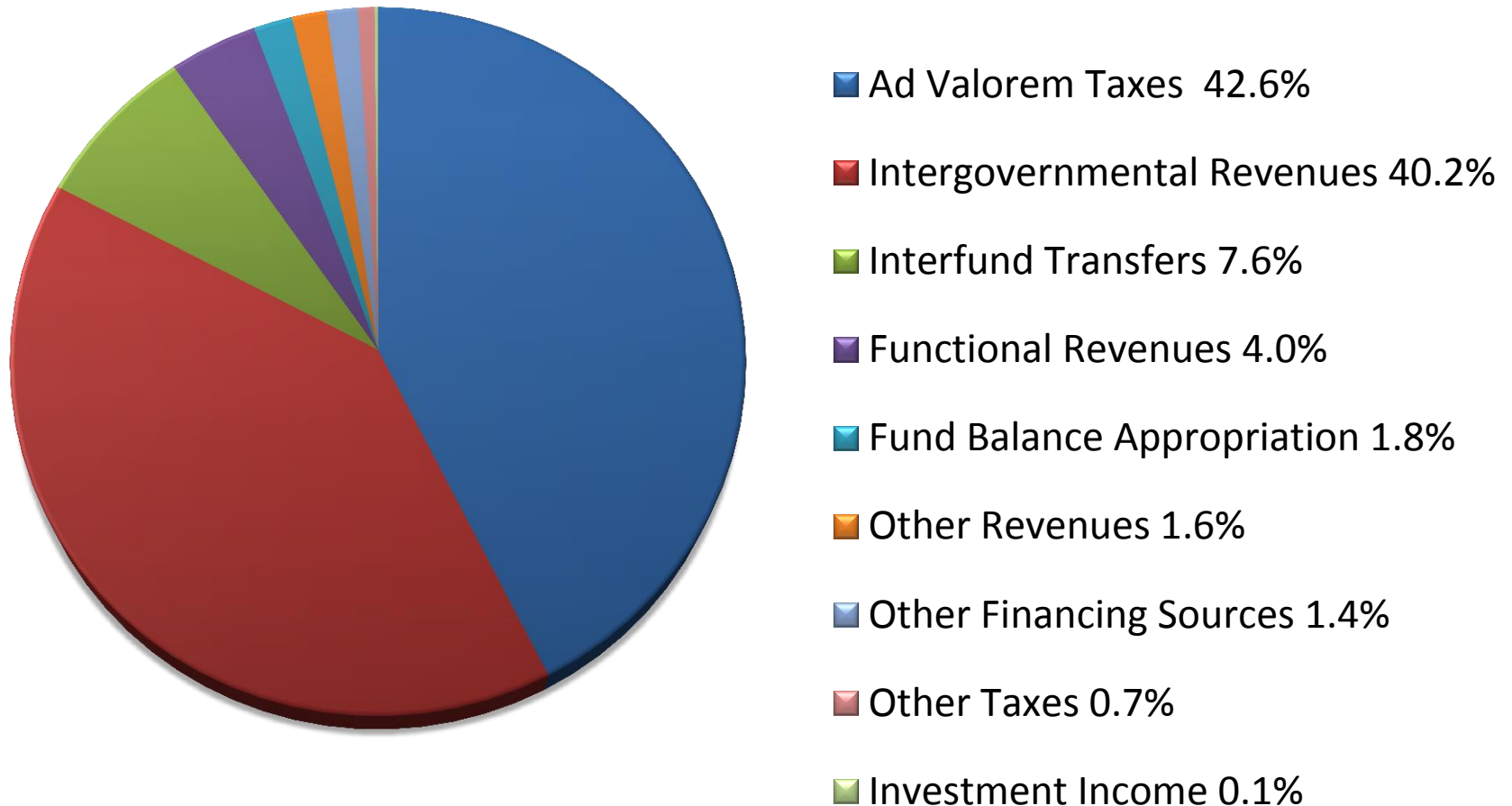
February, 2017

Topics

- Budget Update
 - Major Revenue Sources for FY2017
 - Property Tax
 - Sales Tax
 - Utility Tax
 - Revenue Neutral Tax Rate Update for FY2018
 - Other FY2018 Budget Considerations

FY 2017 Adopted Budget General Fund

Revenues and Other Financing Sources \$167,123,782

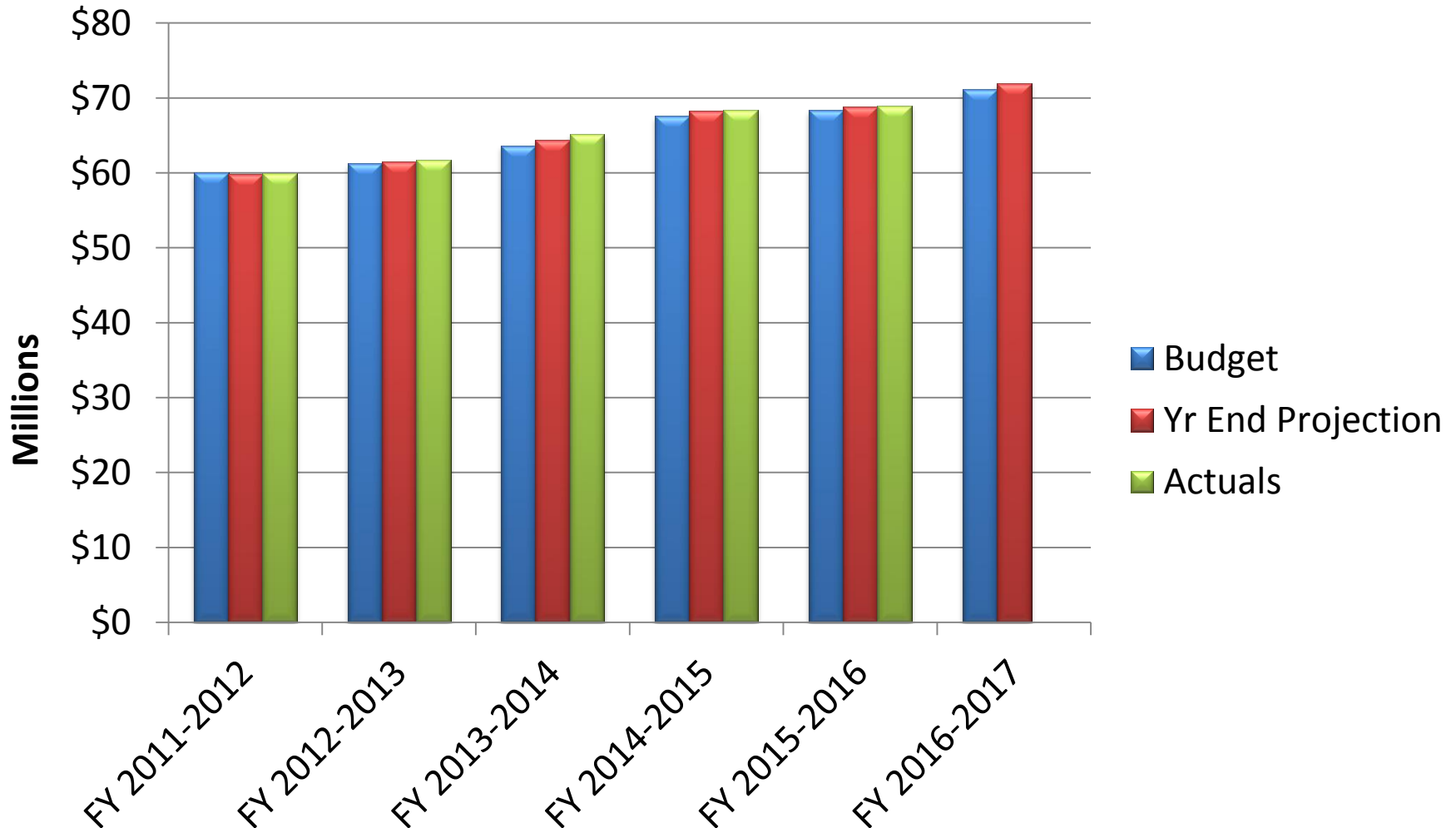




Current Year General Fund Revenue Status

- Real and Personal Property Taxes, excl. Motor Vehicles
 - Actual Levy As of 12/31/16 \$ 64.98 M
 - Levy Projected with Budget \$ 64.38 M
 - Potential Revenues Beyond Budget ~ \$ 600 K
 - Increase vs. 6/30/16 Levy 4.3%
 - Tax Rate Adjustment 2.8%
 - Tax Base Growth, Late Listings & Penalties 1.5%
- Motor Vehicle Property Taxes
 - Estimated Levy \$ 6.80 M
(Based on Dec 2015 to Nov 2016 Collections, with 3.5% growth)
 - Levy Projected with Budget \$ 6.58 M
 - Potential Revenues Beyond Budget ~ \$ 223 K

General Fund Property Tax Revenue





Current Year General Fund Revenue Status

- Sales Tax Distributions

- Fiscal Year 2016

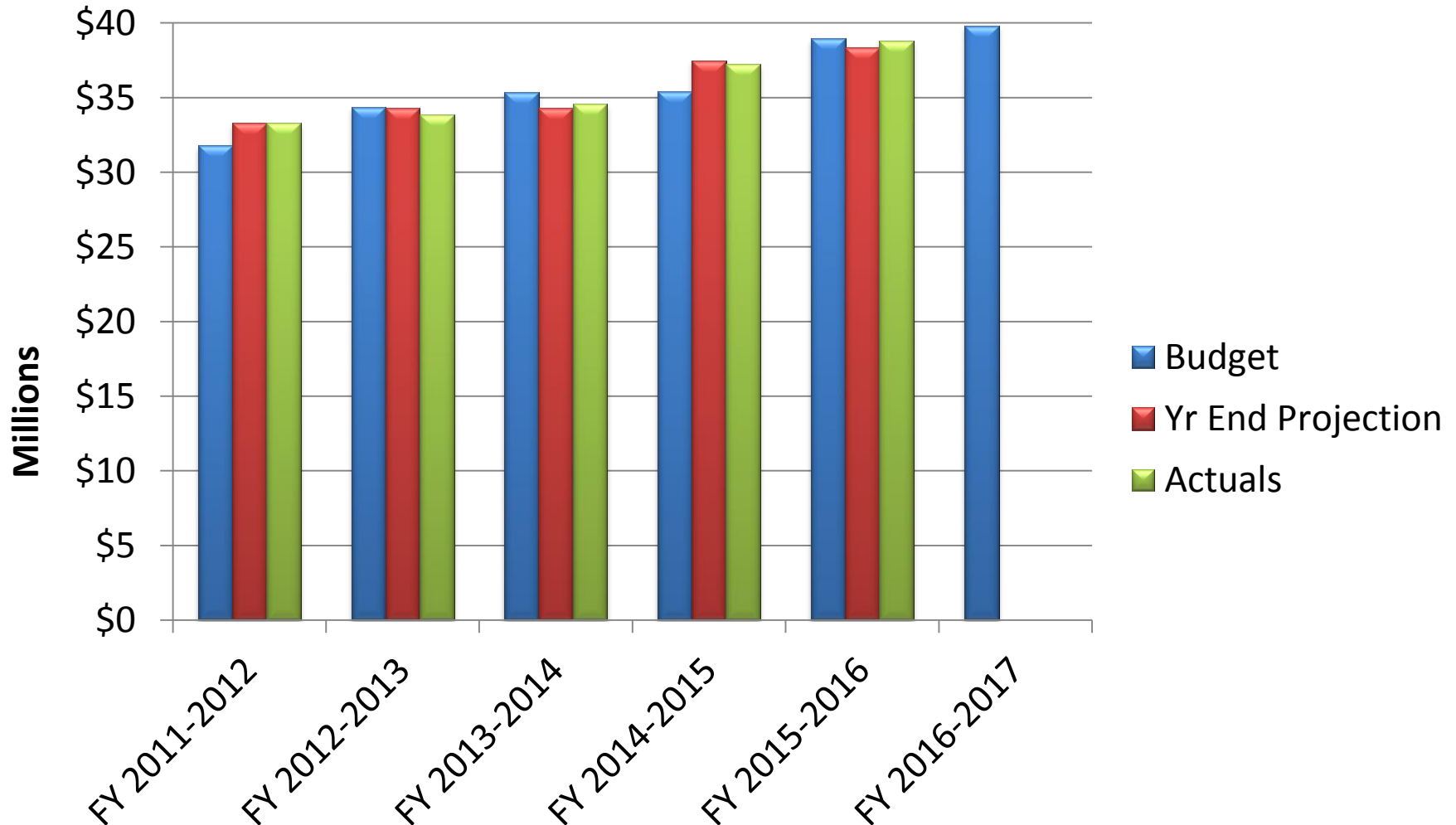
- Budget \$ 38.96 M
 - Year-End Projection \$ 38.37 M
 - Actual Revenues \$ 38.76 M
 - Increase vs. FY2015 Revenues 4.2%

- Fiscal Year 2017

- Budget \$ 39.81 M
 - Increase vs. FY2016 Revenues 2.7%
 - YTD Variance vs. FY2016 Revenues 4.3%
- (5 months only)

Very volatile revenue that can be significantly impacted by timing of refunds, military deployments, general economy, etc.

General Fund Sales Tax Distributions



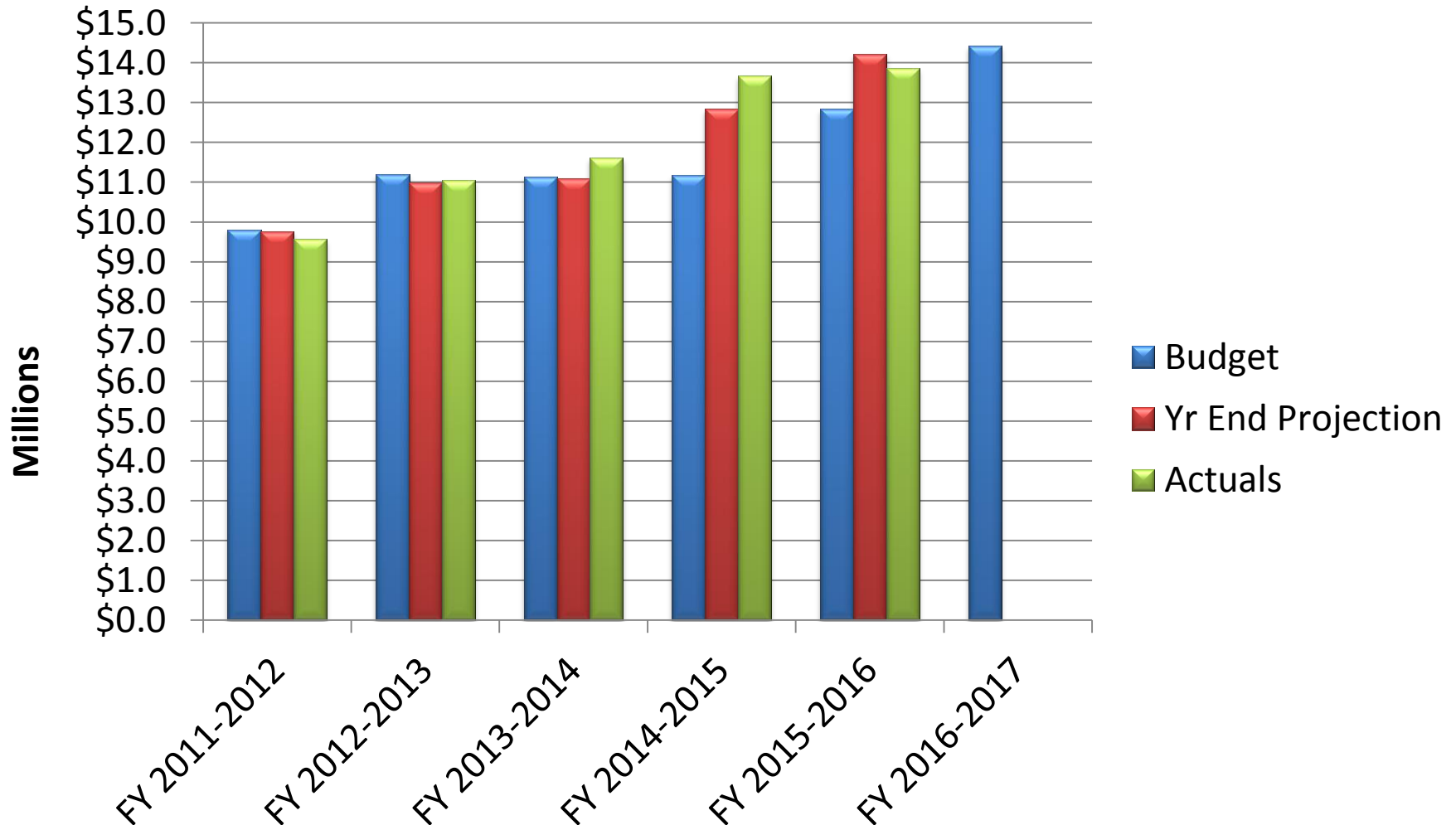


Current Year General Fund Revenue Status

- Utility Taxes
 - Fiscal Year 2016
 - Budget \$ 12.84 M
 - Year-End Projection \$ 14.21 M
 - Actual Revenues \$ 13.86 M
 - Variance due to change from franchise tax to sales tax on electricity
 - Fiscal Year 2017
 - Budget \$ 14.42 M
 - Increase vs. FY2016 Revenues 4.0%
 - First Quarter Variance to FY2016 (5.4%)

Another volatile revenue flow that can be significantly impacted by weather. 8

General Fund Utility Tax Distributions



Other General Fund Revenue Comments

- Permits and Fees
 - Primarily building and development related
 - Fiscal Year 2016 Budget \$ 2.42 M
 - Fiscal Year 2016 Actual Revenues \$ 2.38 M
 - Fiscal Year 2017 Budget \$ 2.73 M
 - First Half variance to FY16 - \$314,000

Some minor revenue postings incomplete at this time

Revenue Neutral Tax Rate

- NCGS 159-11 requires publication of a Revenue Neutral Tax Rate (RNTR) in the budget in the fiscal year following revaluation
 - Purpose is to provide a benchmark for taxpayers to compare the post-revaluation tax rate
 - RNTR is the rate that is estimated to produce revenues for the next fiscal year equal to the revenue that would have been produced for the next fiscal year by the current rate if no revaluation had occurred
 - Calculation process includes a growth factor equal to the average annual percentage increase in the tax base due to improvements since the last general revaluation

Revenue Neutral Tax Rate

- Step 1: Calculate the average annual tax base growth rate
 - Cumberland County Revaluations
 - January 1, 2009 for Fiscal Year 2010
 - January 1, 2017 for Fiscal Year 2018
 - City Tax base growth from FY2010 to projected FY2017
 - Preliminary Projection is 1.7229%
 - Reflects adjustments for annexations and four month overlap of motor vehicle taxes in FY2014 for transition to Tag and Tax Together Program
 - *FY2017 based upon preliminary estimates which are subject to change, particularly for motor vehicles*

Revenue Neutral Tax Rate

- Step 2: Estimate taxable values for the coming fiscal year

	FY17 Estimated Taxable Values	FY18 Estimated Taxable Values	Variance
Real*	12,204,952,924	11,711,224,878	-4.05%
Personal	593,793,108	604,184,487	1.75%
Public Service	190,188,185	190,188,185	0.00%
Motor Vehicles	1,371,584,066	1,419,589,508	3.50%
Total	14,360,518,283	13,925,187,058	-3.03%

*FY18 estimated taxable real property tax values based upon valuation report provided by Cumberland County, reduced by \$75,000,000 pending clarification of reporting issue with exempt values between real and personal property classes



Revenue Neutral Tax Rate

- Step 3: Calculate the tax rate necessary to result in an equivalent levy and growth adjusted levy for FY18

	FY17 Estimated Taxable Values	FY18 Estimated Taxable Values	Variance to Current Rate
Total	14,360,518,283	13,925,187,058	
Equivalent Levy	71,730,789	71,730,789	
Tax Rate Per \$100 to produce equivalent levy	49.95 cents	51.5115 cents	
Growth Adjusted Levy (1.7229%)		72,966,610	
Preliminary Estimate of Revenue Neutral Tax Rate		52.399 cents	2.449 cents

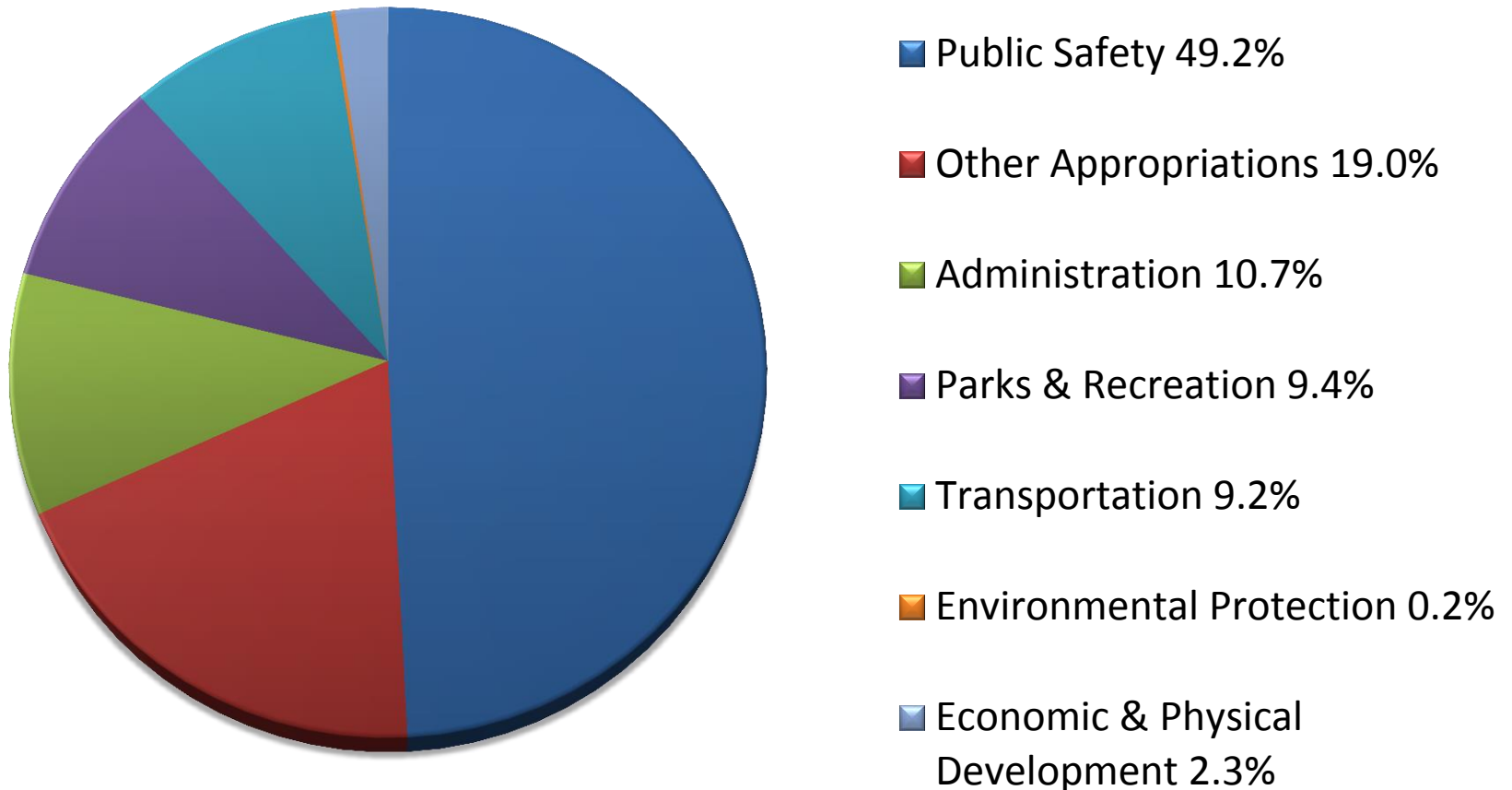
*If the \$75,000,000 exemption reduction is not required, the RNTR would be reduced 52.1183 cents, an increase of 2.1683 cents

Revenue Neutral Tax Rate

- If the preliminary estimate of a Revenue Neutral Tax Rate of 52.399 cents is adopted, dedicated portions of the tax rate would also be adjusted
 - Capital Funding Plan
 - 5.15 cents of 49.95 cents is equivalent to 5.402 cents of 52.399 cents
 - Parks and Recreation Bond Funding
 - 1.35 cents of 49.95 cents is equivalent to 1.416 cents of 52.399 cents

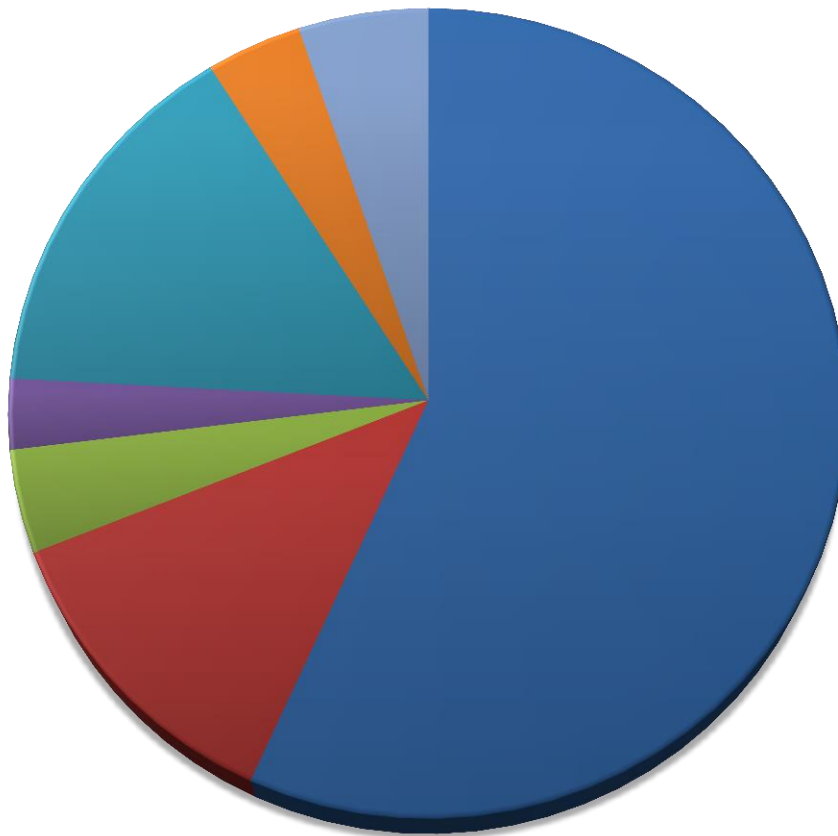
FY 2017 Adopted Budget General Fund

Expenditures By Functional Area \$167,123,782



FY 2017 Adopted Budget General Fund

Expenditures By Type \$167,123,782



- Personnel Services 56.7%
- Operating Expenditures 12.2%
- Contract Services 4.1%
- Capital Outlay 2.8%
- Transfers to Other Funds 15.2%
- Debt Service 3.8%
- Other Charges 5.2%



FY 2018 Budget Considerations

Personnel Items

- Impact of potential FLSA changes for exempt status
 - Temporary injunction deferred implementation
 - Minimum salary for exempt status would have increased to \$47,476
 - Preliminary implementation plan estimated an annual impact across all funds of approximately \$100,000
 - Will not budget for implementation for FY2018
- Preliminary estimate of 2% increase for healthcare plan
 - Equates to approximately \$200K for General Fund alone
- Funding of public safety step plans and general employee performance pay
- Full fiscal year impacts of any positions/initiatives added mid-year



FY 2018 Budget Considerations

Other Expenditure Items

- Commitment to City Council to provide \$500,000 of recurring savings from General Fund Operating Budget
- City/PWC
 - Continue shared services for Legal Services, 800 MHz Radios, FayTV7, Call Center, GIS Software licensing and fiber network services
 - Consideration of a modified/hybrid arrangement for Fleet Maintenance
- Other unfunded priorities
 - Civil War History Center \$7.5 million
 - Funding for Enhanced Gateways

Capital and Technology Improvement Plans

- Document with City Manager's Recommended Plans distributed at the February 6th work session
- PowerPoint provided with summary information regarding the funding plan
- Opportunity for Council questions and feedback



Major Budget Events Calendar

City Council and Staff

- **Recommended CIP/TIP Presentation to Council** February 6, 2017
- **City Council Retreat** February 17, 2017
- **City Council Strategic Plan Follow-Up** March 22, 2017
- **City Council Small Group Sessions** May 3, 4 and 5, 2017
- **Formal Budget Presentation** May 8, 2017
- **Council Budget Work Sessions** May 11, 18, and 25, 2017
- **Budget Public Hearing** May 22, 2017
- **Adoption of Budget, Strategic Plan** June 12, 2017

City of Fayetteville *North Carolina*

433 Hay Street

Fayetteville, NC 28301-5537

www.cityoffayetteville.org

www.faytv7.com www.fayettevilleoutfront.com



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